

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C.

96-45

In the Matter of:

Federal-State Joint Board on
Universal Service

CC Docket No. 96-45

Petition of the Minnesota Public Utilities Commission
for Agreement With Changes in Definition of Service
Areas for Exchanges Served by CenturyTel, Citizens
Telecommunications Company, Frontier
Communications of Minnesota, Inc., Mid-State
Telephone Company, Scott-Rice Telephone,
United Tel Co of Minnesota (UTC of Minnesota),
Federated Telephone Company, Melrose Telephone
Company, Winsted Telephone Company (TDS
Telecom), Eckles Telephone Company (Blue Earth
Valley Telephone Company), Lakedale Telephone
Company, and Farmers Mutual Telephone Company.

RECEIVED

AUG - 7 2003

Federal Communications Commission
Office of the Secretary

**PETITION OF THE MINNESOTA PUBLIC UTILITIES COMMISSION
FOR FCC AGREEMENT TO REDEFINE THE SERVICE AREAS OF
TWELVE MINNESOTA RURAL TELEPHONE COMPANIES**

INTRODUCTION

Pursuant to Section 214(e)(5) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 ("Federal Act"), 47 U.S.C. § 214(e)(5), and 47 C.F.R. § 54.207, the Minnesota Public Utilities Commission ("MPUC") petitions the Federal Communications Commission ("Commission") for agreement with the MPUC's service area designations which differ from the "study areas" or existing "service areas" of CenturyTel, Citizens Telephone Company, Frontier Communications of Minnesota, Inc., Mid-State Telephone Company d/b/a KMP (TDS Telecom), Scott-Rice Telephone Company, United Tel Co of Minnesota (UTC of Minnesota), Federated Telephone Company, Melrose Telephone

area(s) that differ from a company's existing service area(s).¹ After the state commission has determined that a service area definition different from a rural carrier's study area or existing service areas would better serve the universal service principles found in § 254(b), either the state or a carrier must seek the agreement of the Commission. Universal Service Order, at ¶ 188.

Neither the Federal Act nor the Commission's Universal Service Order articulate specific standards for the states or the Commission to follow in establishing a new service area definition. The Commission's only requirement is to "take into account" the Joint Board's recommendations.

The Joint Board recommended that rural companies' service areas initially remain identical to their study areas, but implied that as circumstances change, so might its recommendation. *In the Matter of the Federal-State Board on Universal Service*, CC Docket No. 96-45, 12 FCC Rcd 87, ¶ 172 (1996) (Joint Board Recommendation). The Joint Board articulated three reasons for recommending retention of the study area as the service area "at this time." First, the Joint Board noted that some commenters were concerned about "cream skimming." By retaining a larger study area,

[p]otential "cream skimming" is minimized because competitors, as a condition of eligibility, must provide services throughout the rural telephone company's study area. Competitors would thus not be eligible for universal service support if they sought to serve only the lowest cost portions of a rural telephone company's study area.

¹ The Commission's Universal Service Order states at ¶ 187:

We conclude that the plain language of section 214(e)(5) dictates that neither the Commission nor the states may act alone to alter the definition of service areas served by rural carriers. In addition, we conclude that the language "taking into account" indicates that the Commission and the states must each give full consideration to the Joint Board's recommendation and must each explain why they are not adopting the recommendations included in the most recent Recommended Decision or the recommendations of any future Joint Board convened to provide recommendations with respect to the federal universal support mechanisms.

Id.

Second, the Joint Board noted that the Federal Act "in many respects places rural telephone companies on a different competitive footing from other local exchange companies," citing various provisions in the Federal Act which treat such companies differently:

For example, rural telephone companies are initially exempt from the interconnection, unbundling, and resale requirements of 47 U.S.C. § 251(c). The 1996 Act continues this exemption until the relevant state commission finds, *inter alia*, that a request of a rural telephone company for interconnection, unbundling or resale would not be unduly economically burdensome, would be technically feasible, and would be consistent with section 254. Moreover, . . . states may designate additional eligible carriers for areas served by a rural telephone company only upon a specific finding that such a designation is in the public interest.

Joint Board Recommendation, at ¶ 173.

The Joint Board's final concern related to the administrative difficulties rural companies may encounter in calculating embedded costs at something other than at a study area level. Joint Board Recommendation, at ¶ 174. Although the first two of the Joint Board's concerns relate to competition in the areas served by rural companies, this third concern relates to administrative difficulties for the incumbent rural telephone company.

A "rural telephone company" is defined at 47 U.S.C. § 153(37). The Commission interpreted the phrase "communities of more than 50,000" in §153(37)(D) to require the use of Census Bureau statistics for legally incorporated localities, consolidated cities, and census-designated places for identifying communities of more than 50,000. *In the Matter of the Federal-State Joint Board on Universal Service*, Tenth Report and Order, CC Docket No. 96-45, 14 FCC Red 20156, ¶ 447 (Nov. 2, 1999). Under this interpretation, all companies identified in this petition qualify as rural telephone companies even though some serve non-contiguous

communities throughout Minnesota, with portions of their service area located in or near the large Twin Cities metropolitan area.

Frontier is such a company, and the MPUC previously redefined Frontier's Minnesota study area to include service areas disaggregated to the exchange level for each of Frontier's 45 Minnesota exchanges. *See In re Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, DA 00-2661, Petition of the Minnesota Public Utilities Commission for FCC Agreement to Redefine the Service Area of Frontier Communications of Minnesota, Inc. (filed Oct. 26, 2000) (FCC agreement effective Feb. 27, 2001) ("Western Wireless Petition"). Since that time, numerous companies in Minnesota and other states have redefined their own service areas to disaggregate them to the exchange or sub-exchange level pursuant to Commission rules. *See In the Matter of Federal-State Joint Board on Universal Service and Multi-Association Group (MAG) Plan for Regulation of Interstate Services*, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking, CC Docket No. 96-45 and CC Docket No. 00-256, 23 FCC Red 1338 (May 23, 2001); and 47 C.F.R. § 54.315.

II. PROCEEDINGS BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION.

Midwest Wireless is a wireless provider licensed by the Commission to provide commercial mobile radio service (CMRS) service throughout a swath in southern Minnesota that includes Minnesota Rural Service Areas (RSAs) 7 through 11. The licensed area includes territory in 35 counties served by 49 rural telephone companies and one non-rural company, Qwest. Midwest Wireless serves the entire service territory for most of these companies. Under existing circumstances, however, Midwest Wireless's FCC wireless license and thus its wireless

because rural customers would stand to benefit from increased competition, including the provision of services and functionalities that the incumbent providers do not offer. The MPUC further concluded that no customer harms are foreseeable.³

Without a redefinition of the service areas of the 15 rural Minnesota companies covered by this petition, however, the MPUC designation of Midwest Wireless as an ETC pursuant to 47 U.S.C. § 214(e)(2) cannot be implemented completely, even though such designation is clearly in the public interest. Thus, the Midwest Wireless petition for ETC designation also included a request for disaggregation of certain rural carriers' service areas.

III. REQUEST FOR REDEFINITION AND DISAGGREGATION OF SERVICE AREAS.

Midwest Wireless is able to serve the complete service areas for most of the rural telephone companies located in its wireless service territory. See List of CenturyTel Exchanges, Attachment 2. Furthermore, for the three Qwest exchanges which are only partially included in Midwest Wireless's territory, the MPUC was able to redefine the service areas to the sub-exchange level as necessary without FCC concurrence. See 47 U.S.C. § 214(e)(5). Although most Minnesota telephone companies have disaggregated their own service areas to the exchange level, and even into cost zones within exchanges, one company of concern in this petition has not elected to do this. It is necessary, therefore, to redefine CenturyTel's service area to the exchange level so that Midwest Wireless is required to serve only the CenturyTel exchanges that fall within its Minnesota wireless service territory.⁴ This is consistent with what has been done to allow Western Wireless Corporation to be designated as an ETC for certain of

³ In addition to its basic service offerings, Midwest Wireless has stated that it will offer mobility, wide local calling areas and packaged long distance plans.

⁴ A list of the CenturyTel exchanges is included in Attachment 3.

the exchanges of Frontier Communications of Minnesota, Inc. that were within Western Wireless Corporation's licensed service territory. See *Western Wireless Petition*.

In addition to the redefinition required for the CenturyTel exchanges, further redefinition is necessary below the exchange level in order for Midwest Wireless to serve a number of other areas within its licensed territory. The boundary line for Midwest Wireless's licensed service area does not coincide with the exchange boundaries for some of the exchanges served by Citizens Telephone Company, ~~Frontier Communications of Minnesota, Inc.~~, Mid-State Telephone Company d/b/a KMP (TDS Telecom), Scott-Rice Telephone Company, United Tel Co of Minnesota (UTC of Minnesota), Federated Telephone Company, Melrose Telephone Company (diversiCOM), Winsted Telephone Company (TDS Telecom), ~~Eckles Telephone Company~~ (Blue Earth valley Telephone Company), Lakedale Telephone Company, Farmers Mutual Tel Co., and Lonsdale Telephone Company, Inc. It is necessary to redefine the service areas of these exchanges for purposes of Midwest Wireless's universal service funding as an ETC because Midwest Wireless serves only portions of some of the exchanges of these companies. For the 11 companies above-named, Midwest Wireless requested that the MPUC classify the portion of each wire center of the affected LECs that Midwest Wireless's license covers as a separate service area. A complete list of the exchanges and partial exchanges served is attached to this petition as Attachment 3.

Section 54.207(c)(1) of the Commission's rules sets forth procedures for the Commission's consideration of state commission-proposed definitions of a rural telephone company's service area that differ from the company's study area. The state commission must submit a petition to the FCC containing: 1) the definition proposed by the state commission, and 2) the state commission's ruling or official statement setting forth the reasons for the proposed

definition, including an analysis that takes into account the recommendations of any Federal-State Joint Board convened to provide the recommendations with respect to the definition of a service area served by a rural telephone company. 47 C.F.R. § 54.207(c)(1). This petition meets these two criteria, as discussed below.

A. The MPUC Proposed Definition.

1. The MPUC redefined CenturyTel's study area to identify each exchange as a service area.

First, the MPUC proposes to classify each of the CenturyTel exchanges as a separate service area. As a rural telephone company, CenturyTel's service area is presently the same as its study area for purposes of determining federal universal service obligations and support mechanisms. 47 C.F.R. § 54.207(b). The MPUC concluded that it is appropriate to disaggregate CenturyTel's study area so that each of the exchanges constitutes a separate service area. This proposed definition not only addresses Midwest Wireless's concerns, it also may meet the needs of future requests for ETC status in the CenturyTel territory. Furthermore, it is consistent with the redefinition previously made to accommodate Western Wireless Corporation in the exchanges served by Frontier Communications of Minnesota, Inc.

2. The service areas of the other 11 rural carriers are appropriately redefined to the sub-exchange level.

The MPUC further proposes to classify the portion of each wire center in the service areas of the other 11 companies⁵ served by Midwest Wireless as separate service areas for

⁵ Citizens Telephone Company, Frontier Communications of Minnesota, Inc., Mid-State Telephone Company d/b/a KMP (TDS Telecom), Scott-Rice Telephone Company, United Tel Co of Minnesota (UTC of Minnesota) Federated Telephone Company, Melrose Telephone Company (diversiCOM), Winsted Telephone Company (TDS Telecom), Eckles Telephone Company (Blue Earth Valley Telephone Company), Lakedale Telephone Company, and Farmers Mutual Tel Co.

purposes of Midwest Wireless's ETC designation. As an example, Midwest Wireless's license covers much of the service territory of Farmers Mutual Tel Co. Midwest Wireless provides wireless service in three exchanges served by this company, but it is able to serve only the Marietta exchange completely because its license does not coincide with the existing exchange boundaries and does not include the complete portions of the Ballingham and Cerro Gordo exchanges. Thus it is necessary to redefine the study and/or service area[s] of Farmers Mutual Tel Co. to exclude the portions of the Ballingham and Cerro Gordo wire centers that Midwest Wireless is unable to serve. The exchanges of the remaining 10 rural companies involve similar circumstances. See Attachment 3.

B. The MPUC's Rationale for the Proposed Definitions.

The second criterion in § 54.237(c)(1) requires a state commission ruling or official statement setting forth the reasons for the proposed definition, including an analysis that takes into account the Federal-State Joint Board recommendations with respect to the definition of a service area served by a rural telephone company. In the MPUC's Approval Order attached to this petition, the MPUC specifically addressed the issues identified by the Joint Board:

In considering whether to disaggregate a rural telephone company's service territory, the FCC directs the [state commission] to consider three factors identified by the Joint Board: 1) the risk of "cream skimming," 2) the regulatory status accorded rural telephone companies under the 1996 Act, and 3) any additional administrative burden that might result from the disaggregation.

"Cream skimming" may arise if a competitive ETC were to target low-cost exchanges, or low-cost portions of an exchange. Generally, a competitive ETC receives a subsidy for each access line it serves equal to the average subsidy per line that would otherwise be paid to the incumbent carrier in the study area. If a competitive ETC were to target unusually low-cost areas within a study area, the ETC might receive the same subsidies per line as the incumbent while incurring a fraction of the cost per line. The incumbent, in contrast, would be left serving the relatively costly customers.

But the record does not support the suggestion that the company is targeting areas based on their cost characteristics. Rather, the Company is targeting all areas within its licensed service territory. Any correlation between the Company's disaggregation proposal and the cost characteristics of the areas the Company seeks to serve appears to be coincidental.

Additionally, the FCC now permits incumbents to disaggregate their own service areas, thereby letting them target their subsidies to their high-cost areas. Disaggregation reduces the opportunity for cream-skimming; a competitive ETC that targeted only low-cost areas would also receive only low levels of subsidies. Most Minnesota telephone companies, including Citizens and Frontier, have elected to disaggregate their own service areas down to the exchange level for universal service purposes, and even to subdivide their exchanges into cost zones. Consequently, the Commission finds little prospect of cream-skimming resulting from disaggregating the exchanges at issue into sub-exchange service areas.

Similarly, disaggregating these service areas is consistent with the regulatory status accorded rural telephone companies under the Act. For example, the Commission has expressly determined that Frontier is a rural telephone company under the Act. This determination entitles Frontier to special status under the Act and the statutory exemptions granted under this provision, exemptions from interconnection, unbundling and resale requirements, remain unchanged as a result of the disaggregation of Frontier's service area. Further, the disaggregation of Frontier's service area does not reduce the careful consideration, including a determination of public interest, that the Commission must give to any application by a CLEC for ETC status in Frontier's service area.

The Commission is not persuaded that this disaggregation will result in significant additional administrative burdens. Given Citizens' and Frontier's own election to disaggregate their service areas to the exchange and sub-exchange levels, it is difficult to conclude that the resulting administrative challenges can be attributed to this docket.

Finally, the Commission is not persuaded that disaggregating exchanges would prompt much additional customer confusion. While exchange boundaries have long held significance to people in the local telephone business, it is less clear that these boundaries have been so significant to customers. Moreover, customers are generally aware that a cellular phone may have a different calling scope than a landline phone. (Footnotes and citations are omitted.)

Attachment 1, at 8-9. In addition to the above-quoted material, there is further discussion of the Joint Board recommendation throughout the MPUC's Approval Order in Docket No. PT-6153/AM-02-686.

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Ellen Gavin
Marshall Johnson
Phyllis A. Reha
Gregory Scott

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Midwest Wireless
Communications, LLC, for Designation as an
Eligible Telecommunications Carrier (ETC)
Under 47 U.S.C. § 214(e)(2)

ISSUE DATE: March 19, 2003

DOCKET NO. PT-6153/AM-02-686

ORDER GRANTING CONDITIONAL
APPROVAL AND REQUIRING FURTHER
FILINGS

PROCEDURAL HISTORY

On May 7, 2002, Midwest Wireless Communications, LLC (the Company) filed a petition under the federal Telecommunications Act of 1996 (the Act)¹ asking this Commission to designate it an "eligible telecommunications carrier" (ETC) in areas in central and southern Minnesota where it is currently licensed to provide cellular phone service. The Company needs the designation to qualify for subsidies from the federal universal service fund.

On July 5, 2002, the Commission issued its ORDER REQUIRING ADDITIONAL FILINGS, VARYING TIME PERIOD AND NOTICE AND ORDER FOR HEARING. In its order, the Commission granted the request of Citizens Telecommunications Company (Citizens), Frontier Communications of Minnesota, Inc. (Frontier), the Minnesota Department of Commerce (the Department) and the Minnesota Independent Coalition (MIC) to require the Company to provide additional information. The Commission also referred the matter to an administrative law judge (ALJ) for a contested case proceeding.

The Company made supplemental filings on July 15, July 22, and November 4, 2002.

Following hearings, the ALJ filed her Findings of Fact, Conclusions of Law and Recommendation (ALJ's Report) on January 2, 2003, recommending granting the Company's request. The Commission received exceptions to the ALJ's Report on January 10 from the Department, MIC, and jointly from Citizens and Frontier. The Company filed replies to these exceptions on January 21.

The case came before the Commission for decision on February 13, 2003.

¹ Pub. L. No. 104-104, 110 Stat. 56, codified throughout title 47, United States Code.

II. The Legal Standard

Applications for ETC status are governed by federal and state law.⁹ The Act's § 214 requires an ETC to offer certain designated services throughout its ETC-designated service area, use at least some of its own facilities in providing these services, and advertise the availability and price of these services.¹⁰ While the list of designated services may change over time,¹¹ FCC rule § 54.101(a) currently designates the following services:

- voice grade access to the public switched network
- local usage
- touch-tone service or its functional equivalent
- single-party service
- access to emergency services, including 911 and enhanced 911
- access to operator services
- access to interexchange services
- access to directory assistance
- toll limitation for qualifying low-income customers

Procedurally, this Commission has the responsibility for designating ETCs in Minnesota except where it lacks jurisdiction over an applicant.¹² The Commission evaluates an application based on the criteria of the Act, the FCC, and the state itself.¹³ State-imposed criteria should be "competitively neutral" so as not to favor incumbents, competitors, or any particular technology.¹⁴

The Commission must grant ETC status to any qualified applicant, provided that the applicant is not seeking to serve exchanges in which the incumbent telephone company is a rural telephone company. For these areas the state commission must first make a finding that designating more than one carrier is in the public interest.¹⁵ This requirement reflects Congressional concern that some thinly-populated areas might not be able to support more than one carrier.

⁹ 47 U.S.C. §§ 254, 214; 47 C.F.R. § 54.101; Minn. Rules parts 7811.1400 and 7812.1400.

¹⁰ 47 U.S.C. § 214(e).

¹¹ 47 U.S.C. § 254(c)(1).

¹² 47 U.S.C. § 214(e)(6).

¹³ See *Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393 (5th Cir. 1999) (state may impose own criteria, in addition to federal criteria, when evaluating requests for ETC status).

¹⁴ 47 U.S.C. § 254(b)(7); *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45 Report and Order, 12 FCC Rcd 8776, 8801-03 ¶¶ 46-51 (USF First Report and Order).

¹⁵ 47 U.S.C. § 214(e)(2). Each grant of ETC status must be consistent with the public interest, convenience and necessity. Minn. Rules part 7811.1400, subp. 2; 7812.1400, subp. 2. "Rural telephone company" is defined at 47 U.S.C. § 153(47).

B. Advertising Necessary Services

The Act requires an ETC to advertise the availability and price of the required services throughout the designated service area using media of general distribution.²⁵ An ETC must also publicize the availability of Link-Up and Lifeline services in a manner reasonably designed to reach those likely to qualify for those services.²⁶

After the Department asked the Company to elaborate on its advertising plans, the Company agreed to work with the Commission's staff and the Department to reach agreement on an acceptable advertising plan within 30 days of ETC designation. On this basis, the ALJ found that the Company demonstrated an ability and commitment to fulfill this advertising obligations.

Having reviewed the record and provided all parties with an opportunity to comment, the Commission will adopt the recommendation of the ALJ. The Company has demonstrated its willingness and ability to advertise the required services.

C. Using Own Facilities

The Act requires an ETC to use at least some of its own facilities to provide the designated services in its service area. As noted above, the Company currently is able to offer its services through approximately 200 cell sites in and around the state, and has pledged to build an additional 15 cell sites upon designation as an ETC. The Company has pledged to meet customer orders for new service through a variety of measures including additional cell sites, cell extenders, rooftop antennae, and high-powered phones, among other things. In addition, the Company has stated that it is willing to address a customer's request for service by developing a schedule for extending service.

The Commission concludes that the Company has demonstrated a willingness and commitment to employ at least some of its own facilities in providing the designated services to its customers.

D. Public Interest

1. The Legal Standard

While the Act generally requires a state commission to designate all qualifying applicants as ETCs, that is not true for areas served by rural telephone companies. For those areas, a state commission must first make a finding that designating more than one ETC would be in the public interest.²⁷ As noted above, the Company seeks ETC designation for areas served by rural telephone companies, and therefore this Commission must determine whether granting the Company's petition would be in the public interest.

When the FCC has had to make this determination, it has considered 1) whether customers are likely to benefit from increased competition, 2) whether designation of an ETC would provide benefits not available from incumbent carriers, and 3) whether customers would be harmed if the incumbent

²⁵ 47 U.S.C. § 214(e)(1)(B).

²⁶ 47 C.F.R. §§ 54.504(b), 54.411(d).

²⁷ 47 U.S.C. § 214(e)(2).

services for which the support is intended.³² For such certifications, however, the Commission also required ETCs to file affidavits, additional documentation pertaining to the amount of federal high-cost support received for the prior year, and the ETC's operational and capital expenditures.³³

The ALJ recommends that the Company be required to make a compliance filing containing, among other things, "all information the state typically gathers from ETCs to make its annual certification that ETCs in Minnesota are using high-cost funds...." ALJ's Report at ¶ 62. The Commission will adopt this recommendation as a reasonable effort to document the Company's intentions.

3. Affordability

While acknowledging the importance of "affordability" to promoting the public interest, the ALJ concludes that in this case market forces can address this issue adequately. Competitive carriers do not have monopoly power to exploit; consequently, they can only win customers (and federal subsidies) by offering a service with an attractive combination of quality and price. The ALJ observes that the Company had demonstrated its capacity to do so, attracting 88,000 customers already.

If the Commission desires a more objective basis upon which to judge the affordability of the Company's services, the ALJ notes that the Company's BUS rate plan is priced at \$14.99 per month for unlimited local usage. The ALJ concludes that this combination of rates and quality is affordable by any standard.

The Department takes issue with the ALJ's analysis of affordability, arguing that the facts cited by the ALJ are taken out of context. The Department notes that the Company's 88,000 subscribers represent a small percentage of the roughly 1 million people that live within the Company's Minnesota service territory. And the Company's offer to provide its BUS rate plan for \$14.99 per month fails to reflect the cost of buying, installing and activating various equipment at the customer's premises. It does not reflect the cost of paying a deposit. It does not reflect any liabilities arising out of long-term contracts and leases. It does not reflect the costs imposed by possibly onerous service agreements. And it does not reflect the burden of unresponsive network maintenance policies, or billing and payment policies.

Moreover, there was some dispute about whether all the necessary equipment for BUS was still being manufactured and would remain available to customers.³⁴

The Department asks that the Commission not grant final approval to the Company's petition until it has resolved all these issues. The Department notes that the ALJ shared some of these concerns, recommending that the Company make a filing containing –

³² 47 C.F.R. § 54.313(a) (pertaining to non-rural telephone companies); 47 C.F.R. § 54.314(a) (pertaining to rural telephone companies). See, for example, *In the Matter of Annual Certifications Related to Eligible Telecommunications Carriers' (ETCs) Use of Federal Universal Service Support*, Docket No. P-999/M-02-1403 ORDER CERTIFYING ETC's USE OF FEDERAL HIGH-COST SUBSIDY (December 23, 2002).

³³ *Id.*, NOTICE OF FILING DEADLINE (August 22, 2002).

³⁴ ALJ's Report at n.23.

2. The Company's Proposal

As noted above, the FCC has authorized the Company to provide commercial mobile radio service (CMRS) throughout a swath of southern Minnesota. The Company seeks ETC designation for its entire service territory. But the boundaries of the Company's licensed service territory do not coincide with the boundaries of the incumbents' underlying service areas.

For most service areas within the Company's service territory, these boundary issues pose no problem. The Company asks the Commission to designate it an ETC in any exchange in its service territory that is served by a non-rural telephone company, since the Commission has the discretion to redefine the service areas of non-rural telephone companies unilaterally. Additionally, where a rural telephone company's entire service area is within the Company's service territory, the Company is willing to be designated an ETC for the entire service area.

But where the Company's authority to provide wireless service extends only part way through a rural telephone company's service area, the Company would be precluded from obtaining ETC designation unless the service area were disaggregated. The Company asks for this relief. That is, the Company seeks to disaggregate the incumbent companies' service areas to the extent necessary to permit the Company to obtain ETC designation throughout its licensed service territory – even if this requires disaggregating below the exchange level.

3. Comment

The ALJ recommends granting the Company's request and petitioning the FCC to disaggregate the service areas. ALJ Report at ¶¶ 55-59.

No party opposes the Company's request, except where the Company seeks ETC designation with respect to fractional parts of an exchange. Citizens and Frontier argue that this aspect of the Company's proposal would provoke customer confusion, frustrate the federal scheme matching subsidies to cost, and increase administrative burdens.

4. Commission Action

In considering whether to disaggregate a rural telephone company's service territory, the FCC directs the Commission to consider three factors identified by the Joint Board: 1) the risk of "cream skimming," 2) the regulatory strains accorded rural telephone companies under the 1996 Act, and 3) any additional administrative burdens might result from the disaggregation.⁴⁴

"Cream skimming" may arise if a competitive ETC were to target low-cost exchanges, or low-cost portions of an exchange. Generally, a competitive ETC receives a subsidy for each access line it serves equal to the average subsidy per line that would otherwise be paid to the incumbent carrier in the study area. If a competitive ETC were to target unusually low-cost areas within a study area, the ETC might receive the same subsidies per line as the incumbent while incurring a fraction of the cost per line. The incumbent, in contrast, would be left serving the relatively costly customers.

⁴⁴ See *Joint Board Recommendation*, 12 FCC Rcd at 179-80, ¶¶ 172-74.

V. Conclusion

The Commission will grant preliminary approval to the Company's application, finding that the Company has made a credible showing of its ability and intention to provide a high quality, affordable universal service offering throughout its proposed service area. Final approval will be granted upon Commission review and approval of a filing complying with the requirements discussed in the body of this Order.

ORDER

1. The Commission accept, adopt and incorporate the ALJ's Findings of Fact, Conclusions of Law and Recommendation, and grants preliminary approval to the Company's application for designation as an eligible telecommunications carrier. Final approval is contingent upon Commission review and approval of the compliance filing set forth in paragraph 2
2. The Company shall make a compliance filing including the following items:
 - (a) information typically gathered from ETCs in the annual certifications,
 - (b) information on rates, terms and conditions applicable to the BUS, including customer premise equipment options and charges,
 - (c) an advertising plan,
 - (d) a tariff with terms and rates for the BUS, with Lifeline and Link-Up and other services which may be added to a universal service offering,
 - (e) a customer service agreement with customer service and dispute resolution policies, network maintenance with procedures for resolving service interruptions and any customer remedies, billing and payment and deposit policies, and
 - (f) a list of the Company's federal obligations regarding its service area.
3. The Commission will petition the FCC to disaggregate, for ETC purposes, the service areas of the relevant incumbent telephone companies to the extent necessary to permit the Company to obtain ETC designation throughout its CMRS licensed service territory.

EXHIBIT C

MINNESOTA RURAL LECs THAT
MIDWEST WIRELESS COVERS IN THEIR ENTIRETY

Ace Communications Group
 Blue Earth Valley Telephone Company
 Cannon Valley Telecommunications, Inc.
 Chester Telephone Company (CenturyTel of
 Chester, Inc.)
 Christensen Communications Company d/b/a
 Madelia Telephone
 Clara City Telephone Company (Hanson
 Communications)
 Clements Telephone Company
 Delavan Telephone Company
 Dunnell Telephone Company
 Easton Telephone Company (Blue Earth Valley
 Telephone Company)
 Granada Telephone Company
 Harmony Telephone Company
 Hills Telephone Company, Inc.
 Home Telephone Company
 Hutchinson Telephone Company
 Interstate Telecommunications
 Cooperative, Inc.
 Kasson & Mantorville Telephone Company
 Lismore Cooperative Telephone Company
 Mabel Telephone Cooperative Company
 Manchester - Hartland Telephone Company
 Mankato Citizens Telephone Company
 (Hickorytech)
 Mid-Communications, Inc. (Hickorytech)
 Minnesota Lake Telephone Company (Blue
 Earth Valley Communications)
 Minnesota Valley Telephone Company, Inc.
 New Ulm Telecommunications, Inc.
 Pine Island Telephone Company
 Redwood County Telephone Company
 Sacred Heart Telephone Company (Hanson
 Communications, Inc.)
 Sleepy Eye Telephone Company
 Splitrock Telecommunications Cooperative

EXHIBIT D

RURAL LEC SERVICE AREAS REQUIRING DISAGGREGATION

LEC Service :	CenturyTel	
Wire Centers	Renville	Westbrook
Served by	Minnesota	Storden
Midwest Wireless:	Fairfax	Jeffers
	Gibbon	Fulda
	La Fayette	Dundee
	Kellogg	Heron Lake
	Spring Valley	Wilmont
	Preston	Rushmore
	Lamberton	Brewster
	Round Lake	

LEC:	Citizens Telecommunications Company (Shown as GTE Minnesota on Map)	
Wire Centers	Jasper	Byron
Served by	Hardwick	Ellendale
Midwest Wireless:	Bigelow	Bloomington Prairie
	Arco	Hayfield
	Lynd	Clarks Grv
	Tyler	Hollandale
	Ghent	Brownsdale
	Boyd	Dexter
	Clarkfield	Lyle
	Hazel Run	Adams
	Hanley Falls	Le Roy
	Cottonwood	Cherry Grove
	Raymond	Fountain
	Prinsburg	Mountain Lake
	Svea-Bloomkest	Butterfield
	Kandiyohi	Odin-Ormsby
	Lake Lillian	Kiester
	Arwaier	Alden
	Cosmos	Cannon Falls (partial)
	Hector	Kenyon
	Delft	Wanamingo
	Comfrey	W Concord
	Claremont	Belgrade (partial)
	Dodge Center	

LEC:	Frontier Communications of Minnesota, Inc.	
Wire Centers	Madison	Lewisville
Served by	Canby	Trimont
Midwest Wireless:	Dawson	Truman
	Porter	Welcome
	Ivanhoe	Northrop
	Balaton	Sherburn
	Cumbe	Fairmont
	Avoca	Ceylon
	Lk Wilson	East Chain
	Slayton	Green Isle
	Chandler	Henderson (partial)
	Iona	Arlington
	Edgerton	Montgomery
	Leota	Le Center
	Adrian	Kilkenny
	Ellsworth	Waterville
	Worthington	Elysian
	Okabena	Janesville
	Lakefield	St. Leo
	Bell Plaine (partial)	

LEC:	Mid-State Telephone Company d/b/a KMP (TDS Telecom)	
Wire Centers	Irving (partial)	
Served by	Pennock	
Midwest Wireless:	New London	
	Spicer	
	Sunburg (partial)	
	Murdock (partial)	
	Kerkhoven (partial)	

LEC:	Scott Rice Telephone Company	
Wire Center	Webster (partial)	
Served by		
Midwest Wireless:		

LEC:	United Tel Co of Minnesota (UTC of Minnesota)	
Wire Centers	Granite Falls	Rollingston
Served by	Grove City	Lewiston
Midwest Wireless:	Dassel	St. James
	Silver Lake	Waldorf
	Lester Prairie	New Richland
	Buffalo Lake	Norwood (partial)
	Stewart	
	Brownston	
	Glencoe	
	Plato (partial)	
	Chaska	
	Lake City	
	Zumbro Fls	
	Millville	
	Elgin	
	Plainview	
	Eyota	
	Altura	

LEC:	Federated Telephone Company
Wire Centers	Milan (partial)
Served by	Big Bend (partial)
Midwest Wireless:	

LEC:	Melrose Telephone Company (diversiCOM)
Wire Centers	Eden Valley (partial)
Served by	Watkins (partial)
Midwest Wireless:	Kimball (partial)

LEC:	Winsted Telephone Company (TDS Telecom)
Wire Center	Winsted (partial)
Served by	
Midwest Wireless:	

LEC:	Eckles Telephone Company (Blue Earth Valley Telephone Company)
Wire Center	New Prague (partial)
Served by	
Midwest Wireless:	

LEC: Lakedale Telephone Company
Wire Center Paynesville (partial)
Served by
Midwest Wireless:

LEC: Farmers Mutual Tel Co.
Wire Centers Marietta
Served by Ballingham (partial)
Midwest Wireless: Cerro Gordo (partial)